

June 28, 2013

To: Executive Board

Subject: **May Financial Statements and Investment Summary**

Recommendation

Receive and file the May Financial Statements and Investment Summary for Fiscal Year 2013.

Analysis

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the eleventh month of the fiscal year ending June 30, 2013.

Foothill Transit's cash position of \$74.7 million is \$7.6 million more than the previous month. This increase of cash is the net change between the uses of cash and sources of cash. Uses of cash include \$107,000 of capital expenditure exceeding capital revenues. Sources of cash include an increase in deferred revenue of \$1.2 million, a decrease of amounts due from other governments of \$2.1 million, decrease in accounts payable of \$256,000, an increase in account payable of \$2.4 million and excess operating revenues of \$1.7 million.

May 2013 fare revenues were \$1.6 million, which is \$22,000 or 1.46 percent more than the monthly budgeted amount and \$37,560 more than the previous month. While revenues are more than the amounts budgeted and slightly more than the previous month, the year-to-date monthly average is slightly more (0.75 percent) than the previous year's monthly average. In part, the variation can be attributed to the timing of receipt of various fare revenues, such as the countywide EZ transit Pass. Overall, this is a continuation of the trend established in the prior fiscal year with revenues neither increasing nor decreasing. While increasing sales tax revenues appear to be a signal that the economy is beginning to show signs of improvement, unemployment remains constant at approximately eight percent.

Operating costs through May were \$57.3 million, which is \$6.5 million less than the budget. These costs are \$1.3 million or 2.3 percent more than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

Balance Sheet Analysis (Attachment A):Assets

The balance sheet as of May 31, 2013 shows total assets at \$239.1 million. This total consists primarily of \$150.8 million in fixed assets and \$74.7 million in cash and investments. The cash and investments balance includes \$10.0 million invested in the Local Agency Investment Fund (LAIF); \$28.5 million in non-interest bearing accounts held with Bank of the West; \$22.1 million in an interest bearing account with Bank of the West; \$5.0 million with Chase; \$4.0 million with Bank of the West and \$3.0 million with Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West in non-interest earning accounts qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of May 2013 was 0.245 percent; slightly less than the previous month's rate of 0.264 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than four years, LAIF interest rates have continued a downward trend until reaching current levels and then with small variations up and down.

Liabilities

The accounts payable balance is \$8.5 million. The amounts payable include \$3.9 million due First Transit for April and May service; fuel costs of \$460,000; Monrovia Dial-A-Ride service of \$55,000 and \$80,860 due Metro.

Operating Revenue and Expense Analysis (Attachment C):Fare Revenue

May 2013 fare revenues were \$1.6 million. As previously stated, the May revenues are \$37,560 more than the previous month. The year-to-date revenue amounts are tracking very closely with the budget: 0.50 percent less than the budget, and \$35,700 or 0.2 percent more than the previous year. The year-to-date monthly average revenue is 0.75 percent less than the previous fiscal year average.

Revenues are tracking very close to prior year amounts indicating stable ridership and an economy that is neither improving nor weakening. This may be the case even though recent indicators have indicated everything but a stable economy.

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State and Local Funding Subsidies of \$50.4 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 3.5 percent more than planned for in the budget. Foothill Transit has sufficient funds to meet all of its obligations.

Expenses

Year-to-date operating expenses through May 2013 were \$57.4 million, compared with the year-to-date budget of \$63.9 million. This difference of approximately \$6.5 million resulted in a 10.22 percent favorable variance. The majority of this favorable variance is the result of \$1.1 million in lower than budgeted service costs and fuel cost savings of \$3.5 million with the balance spread over several departments and not attributable to any one account. It should be noted that the May 2013 year-to-date expenses of \$57.4 million are \$1.3 million more than the prior fiscal year.

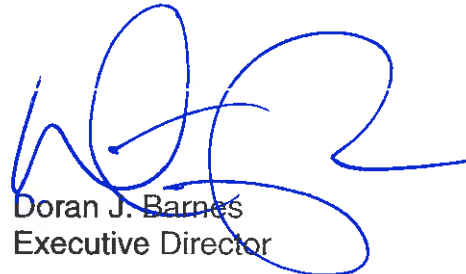
Farebox Recovery Ratio

The May year-to-date farebox recovery ratio was 28.73 percent; 1.97 percent more than the performance target of 26.73 percent. The farebox recovery ratio was derived by dividing the total fare revenue of \$16,477,767 (excluding the prior year EZ transit pass revenue) by the total operating expense figure of \$57,357,120. This ratio has increased 0.04 percent from the April 2013 figure of 28.69 percent.

Sincerely,



Richard Hasenohr
Director of Finance



Doran J. Barnes
Executive Director

Attachments

Foothill Transit
Balance Sheet
As of May 31, 2012

Assets

Current Assets:

Cash	\$ 44,532,485
Investments	19,161,588
Due from government agencies	12,077,601
Other receivables	2,429,468
Other assets	<u>222,764</u>
Total Current Assets	78,423,906
Property & Equipment (net of depreciation)	153,580,652
Total Assets	<u><u>\$ 232,004,558</u></u>

Liabilities and Equity

Current Liabilities:

Accounts payable and accrued liabilities	\$ 6,917,016
Current portion of long term debt	1,000,000
Deferred Revenue	<u>34,514,895</u>
Total Liabilities	<u>42,431,911</u>

Equity

Investment in Fixed Assets (net):

Fund Balance:	<u>189,572,648</u>
Total Equity	<u>189,572,648</u>
Total Liabilities and Equity	<u><u>\$ 232,004,558</u></u>

Summary of Cash and
Investment Account
For May 31, 2012

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$17,068,572	\$17,068,572
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Excise Tax	N/A	Demand Deposit	7,374,259	7,374,259
Bank of the West-Money Market	0.150%	Demand Deposit	10,021,012	10,021,012
Bank of the West-Money Market	0.250%	Demand Deposit	4,507,168	4,507,168
Bank of the West-CTAF ³ Fund	0.750%	Demand Deposit	654,979	654,979
Bank of the West-Money Market	0.250%	Demand Deposit	4,904,595	4,904,595
Subtotal Cash on Hand			<u>44,532,485</u>	<u>44,532,485</u>
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	5,159,088	5,159,088
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	0.175%		2,988,000	2,988,000
Treasury Bills			1,998,787	1,998,787
LAIF Investment	0.381%	Demand Deposit	5,015,714	5,015,714
Subtotal Unrestricted Investments			<u>19,161,588</u>	<u>19,161,588</u>
Total Cash and Investments			<u><u>\$63,694,073</u></u>	<u><u>\$63,694,073</u></u>

Notes:

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit
Statement of Revenue and Expense
For Month Ended May 31, 2012

	Actual May-12	Budget May-12	Variance Favorable (Unfavorable)	Actual May-11
Operating Revenue				
Farebox	\$10,405,217	\$10,742,967	(3.14%)	\$9,979,327
Pass Sales	2,912,705	2,436,867	19.53%	2,786,914
TAP Cash Purse	1,895,281	1,304,050	45.34%	1,911,139
MetroLink/Access Services	67,667	24,292	178.56%	29,619
EZ Transit Pass	1,511,114	1,297,450	16.47%	1,135,472
Total Operating Revenue	16,791,983	15,805,625	6.24%	15,842,470
Non-Operating Revenue				
FTA Sec 5307 Operating	4,522,956			3,484,250
FTA Sec 5307 ARRA				397,988
Transportation Development Act (TDA)	15,980,756	19,907,433	(19.72%)	12,902,551
STA	3,021,018	2,979,167	1.40%	5,280,754
Prop A 40% Discretionary	12,296,365	11,000,000	11.79%	11,679,053
Prop A & C Interest				(10,918)
Prop A 40% BSCP	3,480,389	2,658,333	30.92%	2,379,816
Prop C Base Restructuring	1,627,758	1,558,333	4.46%	1,596,001
Prop C BSIP	757,839	743,417	1.94%	743,050
Prop C Transit Service Expansion	271,253	265,833	2.04%	265,958
Transit Security-Operating	566,192	550,000	2.94%	498,447
Measure R Operating	8,047,732	5,765,833	39.58%	6,793,116
Excise Tax Credit				
Gain on Sale of Fixed Assets	3,154			105,429
ARRA				
Auxiliary Revenue	1,497,254	1,250,000	19.78%	1,421,015
Total Non-Operating Revenue	52,072,665	46,678,349	11.56%	47,536,509
Total Revenue	68,864,649	62,483,974	10.21%	63,378,980
Available Capital Funding				
Capital Grants	16,787,834			15,343,444
Other				
Total Revenue and Capital Funding	85,652,482	62,483,974		78,722,424
OPERATING EXPENSES				
Operations	47,107,176	51,491,642	8.51%	46,313,927
Marketing and Communications	1,240,403	1,461,625	15.14%	1,153,737
Information Technology	1,255,839	1,594,083	21.22%	1,148,151
Administration	1,303,411	1,629,879	20.03%	1,928,773
Procurement	757,144	584,696	(29.49%)	
Sales and Service	1,582,641	1,602,700	1.25%	1,540,294
Finance	1,126,348	1,158,850	2.80%	963,022
Safety and Security	600,503	736,083	18.42%	586,293
Planning	492,215	629,383	21.79%	533,900
Building Management	548,909	665,867	17.56%	479,405
Total Operating Expenses	56,014,590	61,554,808	9.00%	54,647,501
Capital and Other Expenses				
Capital	16,509,901		N/A	15,376,324
Interest			N/A	
Dial-A-Ride	652,250		N/A	578,712
Special Services	131,384		N/A	197,317
Other Misc. expense	99,694		N/A	41,463
Total Capital and Other Expenditures	17,393,229		N/A	16,193,816
Increase (Decrease) of Revenues Over Expenditures	\$ 12,244,663			\$ 7,881,107